

## Message Text

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O 191713Z JUL 76

FM SECSTATE WASHDC

TO ALL DIPLOMATIC POSTS IMMEDIATE

C O N F I D E N T I A L STATE 178009

FOLLOWING REPEAT OECD PARIS 20937 ACTION SECSTATE 17 JUL 76

QUOTE:

C O N F I D E N T I A L OECD PARIS 20937

DEPARTMENT PLEASE PASS ALL DIPLOMATIC POSTS  
IMMEDIATE

E.O. 11652: GDS

TAGS: OECD, CIEC, EGEN, ETRD, EFIN, EAID, ENRG

SUBJECT: CIEC COMMISSION FAILS TO REACH AGREEMENT  
ON WORK PROGRAM

1. BEGIN SUMMARY: CIEC COMMISSIONS ADJOURNED  
JULY 17 WITHOUT HAVING FINALIZED THEIR WORK PROGRAMS  
FOR SECOND PHASE AS MANDATED BY LAST WEEK'S SENIOR  
OFFICIALS MEETING. THIS CALLS INTO QUESTION THE  
FUTURE OF CIEC OVER THE REMAINDER OF THE YEAR AND  
IN PARTICULAR FOR THE SEPTEMBER COMMISSIONS SESSION.  
END SUMMARY.

2. BREAKDOWN IN ELABORATION OF WORK PROGRAMS CENTERED  
AROUND G-19 INSISTANCE ON HIGHLY PREJUDICIAL  
LANGUAGE IN WORK PROGRAMS -- LANGUAGE WHICH WOULD IN  
EFFECT HAVE PRECOMMITTED G-8 TO A GIVEN OUTCOME OF  
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THE WORK. TWO ISSUES OVER WHICH INSURMOUNTABLE

DIFFICULTIES OCCURRED WERE (1) TREATMENT OF DEBT (DIVISION BETWEEN FINANCE AND DEVELOPMENT COMMISSIONS AND DEGREE TO WHICH G-8 WOULD COMMIT ITSELF IN DIVIDING WORK TO PRODUCING FORMULATIONS OFFERING IMMEDIATE DEBT RELIEF IN A DEVELOPMENT CONTEXT.) AND (2) G-19 INSISTENCE ON HIGHLY PREJUDICIAL LANGUAGE ON PURCHASING POWER ISSUE IN WORK PROGRAMS OF BOTH ENERGY AND RAW MATERIALS COMMISSIONS, (E.G. PROTECTION OF PURCHASING POWER IN REAL TERMS, ETC.)

3. ON THE OTHER HAND, SUBSTANTIAL ELEMENTS OF THE WORK PROGRAMS WERE IN FACT FULLY (IF NOT FORMALLY) AGREED BY COMMISSIONS. DEVELOPMENT COMMISSION HAD FINALIZED ITS WORK PROGRAM AND RAW MATERIALS HAD REACHED COMPLETE AGREEMENT ON ITS PROGRAM BETWEEN TWO GROUPS BEFORE G-19 GENERAL CAUCUS OVERTURNED THIS AGREEMENT WITH ITS NEW, NON-NEUTRAL PROPOSALS ON PURCHASING POWER ISSUE. ALL ITEMS (EXCEPT DEBTS) WERE AGREED AND PURCHASING POWER ISSUE WAS ONLY STICKING POINT IN ENERGY. EVEN ON PURCHASING POWER POINT IN ENERGY PROGRAM TWO-CHAIRMEN HAD AGREED UPON AND TABLED JOINT DRAFT WHICH CONTAINED ACCEPTABLY NEUTRAL LANGUAGE. HOWEVER, G-L9 CO-CHAIRMAN (TAHER) IMMEDIATELY ABANDONED IT WHEN IT CAME UNDER STRONG ATTACK FROM ALGERIA AND IRAN.

4. PROBLEMS OF LANGUAGE WERE CRYSTALLIZED IN G-L9 GENERAL CAUCUS WHICH LASTED MOST OF JULY 17. OUR INFORMATION ON THAT DISCUSSION IS FRAGMENTARY, BUT IT APPEARS THAT SEVERAL DELEGATIONS WERE DETERMINED TO FORCE THE G-8 INTO POLITICAL COMMITMENTS ON SUBSTANCE IN THE CONTEXT OF THE WORK PROGRAMS. WE AND THE REST OF THE G-8 HAD CONSISTENTLY AND STRONGLY PRESSED THE LINE THROUGHOUT THE WEEK THAT, WHILE WE WERE IN EFFECT WILLING TO INCLUDE VIRTUALLY ALL ITEMS ON WORK PROGRAMS FOR ACTION-ORIENTED PHASE, WE COULD NOT ACCEPT LANGUAGE IN THOSE PROGRAMS WHICH PREJUDGED THE RESULTS OF THAT WORK. THE G-L9 FOR ITS PART INSISTED THAT WITHOUT A CLEAR DEMONSTRATION OF DC POLITICAL WILL -- PARTICULARLY

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ON THE KEY ISSUES OF DEBT AND PROTECTION OF PURCHASING POWER -- THERE WAS NO ASSURANCE THT CIEC EVENTUALLY WOULD PRODUCE ANY MEANINGFUL RESULTS.

5. VENEZUELAN AND CANADIAN CO-CHAIRMEN ARE PODUCING A JOINT MINUTE WHICH WILL SIMPLY TAKE STOCK OF THE SITUATION AS IT EXISTS, NOTING THAT AGREEMENT WAS ACHIEVED IN MANY AREAS AND HOLDING THE DOOR OPEN

FOR THE COMMISSIONS TO CONTINUE AS SCHEDULED IN SEPTEMBER, PROVIDING THE REMAINING ISSUES CAN BE RESOLVED. MINUTE WILL BE DELIBERATELY FUZZY ON QUESTION OF HOW THESE UNRESOLVED ISSUES CAN BE WORKED OUT. THERE ARE NUMBER OF ALTERNATIVE MECHANISMS: THE CONFERENCE CO-CHAIRMEN IN CONSULTATION WITH THEIR GROUPS; CONFERENCE AND COMMISSION CO-CIRMEN; ANOTHER MEETING OF SENIOR OFFICIALS; OR MEETINGS OF THE COMMISSIONS THEMSELVES IN SEPTEMBER.

6. HOWEVER, IT IS AT THIS POINT MOST UNCERTAINTY , IF NOT UNLIKELY, THAT HAVING TAKEN A HIGHLY POLITICAL POSITION ON THE TWO MAJOR ISSUES, THE G-L9 CAN OR WILL CLIMB DOWN SUFFICIENTLY TO ALLOW SOME SORT OF WORK PROGRAMS, FORMAL OR INFORMAL, TO BE JURY-RIGGED AND PERMIT COMMISSIONS TO BEGIN SUBSTANTIVE WORK AS SCHEDULED. THEY ARE NOT, FOR EXAMPLE, WILLING TO CONSIDER DEVELOPMENT COMMISSION WORK PROGRAM AS FORMALLY AGREED AND HAVE EXPLICITLY STATED THAT, WHIIE THEY ARE WILLING TO SAY THAT SUBSTANTIAL AGREEMENT WAS ACHIEVED, ALL FORMAL AGREEMENTS ON WORK PROGRAMS ARE HOSTAGE TO SATISFACTORY RESOLUTION ON DEBT AND PURCHASING POWER.

7. IMMEDIATE REACTION AMONG G-8 DELS, ESPECIALLY THOSE WHO WENT THROUGH APRIL PREPCON, IS ONE OF SOME PESSIMISM, ALTHOUGH ALL ARE AGREED WE SHOULD BE IN POSITION OF LEAVING DOOR OPEN. THERE IS SOME EVIDENCE THAT G-L9 DECISION TO GO TO THE BRINK ON DEBT AND PURCHASING POWER WAS NOT LAST MINUTE ONE, AND THAT IT REFLECTED CAREFULLY CALCULATED DETERMINATION -- AT LEAST ON PART OF SOME G-L9 DELS -- CONFIDENTIAL

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TO POLITICIZE CIEC AS PART OF BASIC STRATEGY OF CONSTANT RACHETING UP OF POLITICAL PRESSURES ON DCS. (NOTE: IN THIS EVENT, HOWEVER, IT IS NOT CLEAR WHY G-L9 PUT ITSELF IN EMBARRASSING POSITION OF HAVING TO RENEGE ON AGREED WORK PROGRAM FOR RAW MATERIALS COMMISSION,) CLEARLY, WE WILL ONLY BE ABLE TO DETERMINE WHERE IN FACT CIEC GOES NEXT AFTER EXTENSIVE CONTACTS WITHIN G-8 AND WITH KEY G-L9 COUNTRIES.

8. IN ANY CASE, IT IS NOW CLEAR THAT PEREZ-GUERRERO HAS LOST VIRTUALLY ALL CONTROL OVER G-L9. IRAN AND AIGERIA ARE BECOMING INCREASINGLY IMPORTANT, AND THE RADICAL COUNTRIES GENERALLY ARE MOVING INTO ASCENDENCY. SAUDI ARABIAN CO-CHAIRMAN (TAHER) HAS ALL BUT ABANDONED ANY LEADERSHIP ROLE OF G-L9 IN ENERGY

COMMISSION. IN FACT, HE LEFT PARIS AT NOON JULY 17.

9. G-8 UNITY THROUGHOUT THE WEEK AND THIS FINAL DAY HAS BEEN GOOD. ALL AGREED ON NEED TO INSIST ON NEUTRALLY WORDED, NON-POLITICAL WORK PROGRAMS. EC AND MOST OTHERS (SWEDES EXCEPTED) WERE FULLY SUPPORTIVE OF US POSITION ON KEY ELEMENTS OF DEBT ISSUE. THERE WAS SOME EARLY EC WAVERING ON ISSUE OF PROTECTION OF PURCHASING POWER IN ENERGY, BUT G-8 DID NOT FALL IN BEHIND STRONG US LEAD ON THIS POINT.

10. CANADIANS AGAIN PERFORMED WELL AS CO-CHAIRMEN, COORDINATING CLOSELY WITH THE G-8 AND COMMUNICATING G-8 VIEWS ACCURATELY AND FORCEFULLY TO THE OTHER SIDE. KATZ UNQUOTE KISSINGER

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